

1 PUBLIC PROTECTION CABINET

2 KENTUCKY HORSE RACING COMMISSION

3 Amended Administrative Regulation

4 810 KAR 1:011. Pari-mutuel wagering.

5 RELATES TO: KRS 230.210-230.375, 230.990

6 STATUTORY AUTHORITY: KRS 230.215, 230.240, 230.260, 230.280, 230.290, 230.300, 230.310,

7 230.320, 230.361, 230.370

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.215(2) grants the commission the authority

9 to regulate conditions under which thoroughbred racing and pari-mutuel wagering thereon shall

10 be conducted in Kentucky. KRS 230.361(1) requires the authority to promulgate administrative

11 regulations governing and regulating mutuel wagering on horse races under the pari-mutuel

12 system of wagering. This administrative regulation establishes the requirements for the operation

13 of pari-mutuel wagering under KRS Chapter 230 and 810 KAR, Chapter 1

14 Section 1. Pari-mutuel system of wagering required. (1) The only wagering permitted on a

15 live or historical horse race shall be under the pari-mutuel system of wagering. All systems of

16 wagering other than pari-mutuel shall be prohibited. Any person participating or attempting to

17 participate in prohibited wagering shall be ejected and excluded from association grounds.

18 (2) Wagering conducted in conformity with KRS Chapter 230 and these administrative

19 regulations is pari-mutuel.

1        Section 2. Totalizator or other approved equipment required. (1) Pari-mutuel wagering  
2        on live and historical horse races shall only be conducted through the use of a totalizator or  
3        other similar mechanical equipment approved by the commission pursuant to KRS 230.361.  
4        The commission shall not require any particular make of equipment.

5        (2) The totalizator or other mechanical equipment shall be available for testing under the  
6        supervision of the commission upon request to ensure its proper working order.

7        Section 3. Wagering on an historical horse race authorized. (1) Wagering on an  
8        historical horse race is hereby authorized and may be conducted in accordance with KRS  
9        Chapter 230 and these administrative regulations.

10       (2) Wagering on an historical horse race shall only be conducted by (a) an association  
11       licensed to conduct a live horse race meet or (b) two or more associations licensed to conduct a  
12       live horse race meet who form a joint venture or otherwise pursuant to an agreement between  
13       them.

14       (3) Wagering on an historical horse race shall only be permitted in a designated area on  
15       the licensed premises of an association licensed to conduct a live horse race meeting. Wagering  
16       on historical horse racing shall not be offered in any other location.

17       (4) An association may conduct wagering on historical horse races of any horse breed  
18       regardless of the type of breed that primarily races in live meets conducted by the association.  
19       An association may conduct wagering on historical races on any days and hours approved by  
20       the commission, and shall not be limited to times during which the association is conducting a  
21       live horse race meeting.

22       (5) Any wager placed on an historical horse race is an exotic wager.

1 (6) Before offering wagering on an historical horse race, an association shall first obtain  
2 the commission's written approval of all wagers offered as set forth in 810 KAR 1:120.

3 (7) All wagering on an historical horse race shall incorporate the following elements:

4 (a) A patron may only wager on an historical horse race on a terminal approved by the  
5 commission;

6 (b) An association shall at all times maintain at least two terminals offering each type of  
7 exotic wager on an historical horse race;

8 (c) Once a patron deposits the wagered amount in the terminal offering wagering on an  
9 historical horse race, an historical horse race shall be chosen at random;

10 (d) Prior to the patron making his or her wager selections, the terminal shall not display  
11 any information that would allow the patron to identify the historical race on which he or she is  
12 wagering, including the location of the race, the date on which the race was run, the names of  
13 the horses in the race, or the names of the jockeys that rode the horses in the race;

14 (e) The terminal shall make available true and accurate past performance information  
15 on the historical horse race to the patron prior to making his or her wager selections. The  
16 information shall be current as of the day the historical horse race was actually run. The  
17 information provided to the patron shall be displayed on the terminal in data or graphical form;  
18 and

19 (f) After a patron finalizes his or her wager selections, the terminal shall display a video  
20 replay of the race, or a portion thereof, and the official results of the race. The identity of the  
21 race shall be revealed to the patron after the patron has placed his or her wager.

1        Section 4. Payouts only out of pari-mutuel pools: seed pools required. (1)(a) A wager on  
2        an historical horse race, less deductions permitted by KRS Chapter 230 or these administrative  
3        regulations, shall be placed in pari-mutuel pools approved by the commission.

4        (b) A payout to a winning patron shall be paid from money wagered by patrons and  
5        shall not constitute a wager against the association.

6        (c) An association conducting wagering on an historical horse race shall not conduct  
7        wagering in such a manner that patrons are wagering against the association, or in such a  
8        manner that the amount retained by the association as a commission is dependent upon the  
9        outcome of any particular race or the success of any particular wager.

10       (2) An association shall only pay a winning wager on an historical horse race out of the  
11       applicable pari-mutuel pool and shall not pay a winning wager out of the association's funds. In  
12       no event shall payment of a winning wager exceed the amount available in the applicable pari-  
13       mutuel pool.

14       (3) An association offering wagering on an historical horse race shall operate seed pools  
15       in a manner and method approved by the commission. For each wager made, an association  
16       may assign a percentage of the wager to seed pools. The seed pools shall be maintained and  
17       funded so that the amount available at any given time is sufficient to ensure that a patron will  
18       be paid the minimum amount required on a winning wager.

19       (4) An association shall provide the funding for the initial seed pool for each type of  
20       exotic wager. The funding for the initial seed pool shall be non-refundable and in an amount

1 sufficient to ensure that a patron will be paid the minimum amount required on a winning  
2 wager.

3 Section 5. Location of terminals used for wagering on an historical horse race.

4 (1) Terminals offering wagering on historical horse races shall be located within  
5 designated areas which have the prior written approval of the commission. Designated areas  
6 shall be established in such a way as to control access by the general public and prevent entry  
7 by any patron who is under eighteen (18) years of age or is otherwise not permitted to place  
8 wagers on an historical horse race.

9 (2) Each association shall be responsible for monitoring persons entering and leaving  
10 the designated areas and shall be responsible for preventing access to any patron who is under  
11 eighteen (18) years of age or is otherwise not permitted to place wagers on historical horse  
12 races.

13 (3) Each association shall provide terminals that are accessible to handicapped patrons.

14 Section 6. Records to be maintained. (1) Each association and each simulcast facility  
15 authorized under KRS 230.380 shall maintain complete records of all pari-mutuel wagering  
16 transactions on live and historical horse races, including the amounts wagered at each betting  
17 window, self-service totalizator, mobile pari-mutuel teller, and terminal.

18 (2) A copy of the wagering records shall be retained and safeguarded for a period of not  
19 less than two (2) years and shall not be destroyed without the prior written permission of the  
20 commission.

1       Section 7. Equipment. (1) The association and the totalizator provider shall install a  
2       primary and secondary device, which activate the stop betting function of the totalizator  
3       system. The chief state steward, or his or her designee, shall use the primary device to stop  
4       wagering at the start of the race. In the event that wagering is not stopped by the primary  
5       device at the start of the race, the totalizator operator shall stop wagering using the secondary  
6       device. The secondary device shall be installed in the totalizator room and shall only be used by  
7       the totalizator operator.

8       (2) If there is a complete breakdown of the totalizator or mechanical equipment during  
9       the wagering on a live horse race, the wagering on that race shall be declared closed. If the  
10       totalizator remains capable of computing payouts, the payouts for that race shall be computed  
11       based on the amounts wagered prior to the breakdown. If the totalizator is incapable of  
12       computing payouts, then refunds shall be issued for all amounts wagered on that race.

13       (3) If there is a complete breakdown of a terminal offering wagering on an historical  
14       horse race, the association offering the wager shall make a full refund of the patron's balance on  
15       the terminal at the time of the breakdown.

16       Section 8. Entries in a live horse race. (1) The chief state steward shall timely advise an  
17       association's pari-mutuel manager, prior to the beginning of wagering on each race, of the  
18       horses that will compete in the race.

19       (2) If two (2) or more horses entered for the same live horse race are determined by the  
20       commission to have common ties through ownership or training they may be joined by the  
21       commission as a mutuel entry. The mutuel entry shall become a single betting interest and a  
22       wager on one (1) horse in a mutuel entry shall be a wager on all horses in the same mutuel

1 entry. If the number of horses competing in a live horse race exceeds the numbering capacity of  
2 the totalizator, the racing secretary shall assign the highest pari-mutuel numbers to horses so  
3 that the highest numbered horse within the numbering capacity of the totalizator together with  
4 horses of higher numbers, shall be grouped in the mutuel field as a single betting interest, and a  
5 wager on one (1) horse in the mutuel field shall be a wager on all horses in the same mutuel  
6 field.

7 (3) A refund at cost value shall be made to all holders of a purchased ticket bearing the  
8 number of a horse in any race that has been scratched or withdrawn before the horse has  
9 become a starter, unless the horse is part of a mutuel entry, and one (1) or more of the entry  
10 starts.

11 Section 9. Sale of pari-mutuel tickets on live horse races. (1) The following types of pari-  
12 mutuel wagering shall be permitted on a live horse race at all licensed associations and  
13 simulcast facilities:

14 (a) Normal win, place, and show wagers on each race;

15 (b) Any exotic wager previously approved by the commission; and

16 (c) Any new exotic wager approved in writing by the commission.

17 (2) Pari-mutuel tickets on live horse races shall not be sold except by a licensed  
18 association or a simulcast facility authorized by KRS 230.380.

19 (3) Pari-mutuel tickets on a live horse race shall only be sold at regular ticket windows,  
20 self-service totalizator machines, by mobile pari-mutuel tellers with hand-held totalizator devices,  
21 or by any other method approved in writing by the commission prior to being offered to the  
22 public. At least one regular ticket window shall be made accessible to handicapped patrons.

1        (4)(a) Pari-mutuel stored value cards or cash vouchers may be offered by an  
2        association. The dollar amount on the stored value card or cash voucher may be redeemed at  
3        any time at any regular ticket window or used to fund additional wagers.

4        (b) Cash vouchers shall be valid for one (1) year after the date of issuance. Failure to  
5        present any cash voucher for redemption within one (1) year of issuance shall constitute a waiver  
6        of the right to receive payment thereon.

7        (5) No pari-mutuel wager shall be made on a race after the totalizator has been locked  
8        for that race.

9        (6) Any claim by a patron that he or she has been issued a pari-mutuel ticket other than  
10       that which was requested shall be made before the patron has left the ticket window or before  
11       the mobile teller has initiated a transaction with another patron. No claims for incorrect tickets  
12       will be honored after the totalizator has been locked.

13       Section 10. Payment on pari-mutuel tickets on live horse races. (1) At the end of each  
14       race, the placing judges shall advise the manager of the pari-mutuel department by the use of  
15       the totalizator equipment or by telephone of the official placement of the horses, and no  
16       payouts shall be made until the receipt of the notice.

17       (2) Payment of valid pari-mutuel tickets shall be made on the basis of the order of finish as  
18       declared "official" by the stewards. A subsequent change in the order of finish or award of purse  
19       money that may result from a subsequent ruling by the stewards or commission shall not affect  
20       the pari-mutuel payout.



1       (3) Each association shall deduct from each pari-mutuel pool a commission, not exceeding  
2       the commission provided by KRS 230.3615. The remainder of the pool after the deduction of the  
3       commission shall be the net pool for distribution as payouts to ticket holders.

4       (4) Payment on valid pari-mutuel tickets shall be made only if presented and surrendered  
5       within one (1) year following the running of the live horse race on which the wager was made.  
6       Failure to present any such ticket within one (1) year shall constitute a waiver of the right to  
7       receive payment thereon.

8       (5) The association shall be responsible for the correctness of all payout prices posted as  
9       "official." If an error is made in posting the payout figures, and ascertained before any tickets are  
10       cashied thereon, the posting error shall be corrected, accompanied by a public address  
11       announcement, and only the correct amounts shall be used in the payout, irrespective of the  
12       initial error.

13       (6) A mutilated pari-mutuel ticket that is not easily identifiable as being a valid ticket  
14       shall not be accepted for payment.

15       (7) An association shall establish a written procedure for granting patrons an  
16       opportunity to file a claim on a lost pari-mutuel ticket and provide a copy to the commission.

17       (8) Prior to posting payouts, the association's pari-mutuel manager shall require the  
18       verification of the winning runners and prices prior to posting official results.

19       (9)(a) If an error is made in calculating the payout on a winning wager, resulting in  
20       overpayment, the association shall be responsible for the amount between the correct payout  
21       and the amount paid.

1        (b) If the error in calculation results in a payout being too low, the amount between the  
2        correct payout and the amount paid shall be added to the net pool of the same position in the  
3        following race on the same day or, if it is the last race of the day, then it shall be added to the  
4        net pool of the same position in the same race on the following day. If an error occurs in  
5        computing the daily double pool, the underpayment shall be added to the daily double pool of  
6        the following day.

7        (c) If an error occurs causing underpayment on the last race of the entire racing  
8        meeting, the amount of the underpayment shall be paid to the Kentucky Revenue Cabinet.

9        Section 11. Minimum wagers and payouts. (1) The minimum wager to be accepted by any  
10       licensed association on a live horse race shall be ten cents (\$0.10). The minimum payout on a one  
11       dollar (\$1) wager on a live horse race shall be one dollars and ten cents (\$1.10), unless a minus  
12       pool occurs. If a minus pool occurs, the minimum payout for a one dollar (\$1) wager shall be one  
13       dollar and five cents (\$1.05).

14       (2) The minimum wager to be accepted by any licensed association on an historical horse  
15       race shall be ten cents (\$0.10). The minimum payout on any wager shall not be less than the  
16       amount wagered.

17       Section 12. Minors prohibited from wagering. A minor shall not be permitted by any  
18       licensed association or simulcast facility to purchase or cash a pari-mutuel ticket.

19       Section 13. Odds and payouts posted. (1) Approximate odds for live horse races, based on  
20       win pool betting for finishing first for each betting interest, shall be posted on one (1) or more  
21       boards or television screens within view of the wagering public at intervals of not more than  
22       ninety (90) seconds.

1       (2) If daily double wagering is conducted on a live horse race, before off-time of the  
2       second daily double race, the probable payout for each two dollar (\$2) daily double wager  
3       combining the winner of the first daily double race with every horse or betting interest in the  
4       second daily double race shall be posted; except that if a dead heat for first in the first daily  
5       double race occurs, or a scheduled starter in the second daily double race is excused so as to  
6       cause a consolation daily double pool, then posting of all possible payouts shall not be  
7       mandatory, but the association shall make every effort to compute such daily double prices and  
8       advise the public by posting or public address announcement as soon as possible and prior to the  
9       running of the second daily double race.

10       (3) For wagering on an historical horse race, approximate odds or payouts for each  
11       wagering pool shall be posted on each terminal for viewing by patrons at intervals of no more  
12       than ninety (90) seconds.

13       Section 14. Betting explanation. (1) Each association shall publish in the daily race  
14       program, for each day of live horse racing, a general explanation of pari-mutuel wagering offered  
15       on live horse races and an explanation of each type of betting pool offered. The explanation also  
16       shall be posted in conspicuous places about the association grounds to adequately inform the  
17       public and shall be submitted to the commission prior to publication for approval.

18       (2) Each association shall post, in conspicuous places in the designated area, a general  
19       explanation of pari-mutuel wagering offered on historical horse races and an explanation of each  
20       betting pool offered. The explanation shall be submitted to the commission for approval prior to  
21       its posting.

1        Section 15. Prior approval required for number of live horse races. Each association  
2        desiring to conduct more than nine (9) live horse races on a single day shall first apply in writing  
3        to the commission and obtain specific approval of the number of live horse races to be offered on  
4        a single day.

5        Section 16. Pools dependent upon entries for live horse races. (1) If horses representing  
6        five (5) or fewer betting interests qualify to start in a live horse race, the association may prohibit  
7        show wagering on that race. If horses representing four (4) or fewer betting interests qualify to  
8        start in a live horse race, the association may prohibit both place and show wagering on that race.

9        (2) If a horse is scratched by the stewards after wagering has commenced or a horse is  
10       prevented from running in a live horse race because of failure of a starting-gate door to open  
11       properly, and the number of actual starters representing different betting interests is:

12       (a) Reduced to five (5), the association may cancel show wagering on that race and the  
13       entire show pool shall be refunded upon presentation and surrender of show tickets; or

14       (b) Reduced to four (4) or fewer, the association may cancel both place and show  
15       wagering on that race and the entire place and show pool shall be refunded upon presentation  
16       and surrender of place and show tickets.

17       Section 17. Emergency Situation. If any emergency arises in connection with the  
18       operation of the pari-mutuel department not provided for by this administrative regulation, the  
19       pari-mutuel manager shall take immediate corrective action and shall by the quickest means  
20       possible notify the chief state steward and render a full report to the commission.

1        Section 18. Severability. In the event that any provision or administrative regulation of  
2        this chapter is found to be invalid, the remaining provisions of this chapter shall not be affected  
3        nor diminished thereby.

4        ~~[RELATES TO: KRS 230.210-230.375, 230.990]~~

5        ~~STATUTORY AUTHORITY: KRS 260.361~~

6        ~~NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.361(1) requires the authority to promulgate~~  
7        ~~administrative regulations governing mutuel wagering on horse races under the pari-mutuel~~  
8        ~~system of wagering. This administrative regulation establishes the requirements for the operation~~  
9        ~~of pari-mutuel wagering.~~

10       ~~—— Section 1. Pari-mutuel System of Wagering Required. Permitted wagering shall be under~~  
11       ~~the pari-mutuel system, employing an electric totalizator or other mechanical equipment~~  
12       ~~approved by the authority pursuant to KRS 230.361(1). All systems of wagering other than pari-~~  
13       ~~mutuel, including but not limited to bookmaking and auction pool selling, shall be prohibited. Any~~  
14       ~~person participating or attempting to participate in prohibited wagering shall be excluded from~~  
15       ~~association grounds.~~

16       ~~—— Section 2. Totalizator Required. Each association shall install and operate during its race~~  
17       ~~meeting an electric totalizator or other mechanical equipment approved by the authority~~  
18       ~~pursuant to KRS 230.361(1). The totalizator or other mechanical equipment shall be tested daily~~  
19       ~~under the supervision of the authority to insure its proper working order.~~

20       ~~—— Section 3. Records to be Maintained. The pari-mutuel manager shall maintain complete~~  
21       ~~records of all wagering so the authority may upon review ascertain for any race: the opening line~~  
22       ~~and subsequent odds fluctuations, and the amount, and at which window, wagers were placed on~~

1 any betting interest. A copy of the wagering records shall be retained by each association and  
2 safeguarded for a period not less than two (2) years and shall not be destroyed without  
3 permission of the authority.

4 ~~Section 4. Calculation and Distribution of Pools. The only pari-mutuel wagering pools~~  
5 ~~permitted in this state shall be for win, place, show, daily double, exacta, and quinella, and other~~  
6 ~~exotic wagering approved by the authority as provided by Section 9 of this administrative~~  
7 ~~regulation; each shall have separate and independent calculation and distribution. From each~~  
8 ~~pool there shall be deducted by each association the commission as provided by KRS 230.3615,~~  
9 ~~with the remainder being the net pool for distribution as payoffs to ticket holders. Each~~  
10 ~~association shall present the specific procedures to be used for each type of wagering in their~~  
11 ~~application for dates. Any further changes or additions shall be submitted in writing to the~~  
12 ~~authority for approval.~~

13 ~~(1) Refunds. For each type of wagering, the association shall provide the procedures for~~  
14 ~~refunds in writing to the authority at the time the request for the pool is made and the authority~~  
15 ~~shall approve the procedures before implementation.~~

16 ~~(2) Race cancelled. For each type of wagering involving more than one (1) race, the~~  
17 ~~association shall submit for authority approval the procedures to be used if a race is cancelled.~~

18 ~~(3) Totalizator breakdown. If there is an irreparable breakdown of the totalizator or~~  
19 ~~mechanical equipment during the wagering on a race, the wagering on that race shall be declared~~  
20 ~~closed and the payoff shall be computed on the sums wagered in each pool up to the time of the~~  
21 ~~breakdown.~~

1 ~~Section 5. Minimum Wager and Payoff. The minimum wager to be accepted by any~~  
2 ~~licensed association shall be one (1) dollar. The minimum payoff on a two (2) dollar wager shall be~~  
3 ~~two (2) dollars and twenty (20) cents unless a minus pool occurs. If a minus pool occurs, the~~  
4 ~~minimum payoff for a two (2) dollar wager shall be two (2) dollars and ten (10) cents.~~

5 ~~Section 6. Minors Prohibited from Wagering. A minor shall not be permitted by any~~  
6 ~~licensed association to purchase or cash a pari-mutuel ticket.~~

7 ~~Section 7. Odds or Payoffs Posted. Approximate odds, based on win pool betting for~~  
8 ~~finishing first for each betting interest, shall be posted on one (1) or more boards or television~~  
9 ~~screens within view of the wagering public, at intervals of not more than ninety (90) seconds. If~~  
10 ~~daily double wagering is conducted, before off-time of the second daily double race, the possible~~  
11 ~~payoff for each two (2) dollar daily double wager combining the winner of the first daily double~~  
12 ~~race with every horse or betting interest in the second daily double race shall be posted; except~~  
13 ~~that if a dead heat for first in the first daily double race occurs, or a scheduled starter in the~~  
14 ~~second daily double race is excused so as to cause a consolation daily double pool, then posting~~  
15 ~~of all possible payoffs shall not be mandatory, but the association shall make every effort to~~  
16 ~~compute such daily double prices and advise the public by posting or public address~~  
17 ~~announcement as soon as possible and prior to the running of the second daily double race.~~

18 ~~Section 8. Betting Explanation. Each association shall publish in the daily race program a~~  
19 ~~general explanation of pari-mutuel betting and an explanation of each type of betting pool~~  
20 ~~offered. The explanation also shall be posted in conspicuous places about the association grounds~~  
21 ~~to adequately inform the public and shall be submitted to the authority prior to publication for~~  
22 ~~approval.~~

~~Section 9. Prior Approval Required for Betting Pools. Each association desiring to conduct more than nine (9) betting races on a single day, or desiring to offer exotic wagering, shall first apply in writing to the authority and obtain specific approval of the number of betting races and type of wagering to be offered on a single day.~~

~~Section 10. Pools Dependent Upon Entries. (1) On each type of wagering not already described in subsections (2) and (3) of this section, the association shall request in writing the procedures for each pool as a function of entries and the authority shall make the final determination.~~

~~(2) If horses representing five (5) or fewer betting interests qualify to start in a race, the association may prohibit show wagering on that race. If horses representing four (4) or fewer betting interests qualify to start in a race, the association may prohibit both place and show wagering on that race.~~

~~(3) If a horse is excused by the stewards after wagering has commenced or a horse is prevented from racing because of failure of a starting gate door to open properly, and the number of actual starters representing different betting interests is:~~

~~(a) Reduced to five (5), the association may cancel show wagering on that race and the entire show pool shall be refunded upon presentation and surrender of show tickets; or~~

~~(b) Reduced to four (4) or fewer, the association may cancel both place and show wagering on that race and the entire place and show pool shall be refunded upon presentation and surrender of place and show tickets.~~

~~Section 11. Pari-mutuel Ticket Sales. (1) Pari-mutuel tickets shall not be sold except by a licensed association. Pari-mutuel tickets shall be sold only at regular windows properly~~



1 designated by signs showing the type and denomination of tickets to be sold at the windows. A  
2 pari-mutuel ticket shall not be sold after the totalizator has been locked and an association shall  
3 not be responsible for ticket sales entered into but not completed by issuance of a ticket before  
4 the totalizator has been locked.

5 ~~—— (2) Any claim by a person that he has been issued a ticket other than that which he~~  
6 ~~requested, shall be made before he leaves the window and before the totalizator is locked.~~

7 ~~—— (3) After purchasing a ticket and after leaving the ticket window, a person shall not be~~  
8 ~~entitled to enter for the issuance of an incorrect ticket, or to claim a refund or payment for tickets~~  
9 ~~discarded, or lost, or destroyed, or mutilated beyond identification.~~

10 ~~—— (4) Payment on valid pari-mutuel tickets shall be made only if presented and surrendered~~  
11 ~~to the association where the wager was made within one (1) year following the running of the~~  
12 ~~race on which the wager was made. Failure to present any such ticket within one (1) year shall~~  
13 ~~constitute a waiver of the right to receive payment thereon.~~

14 ~~—— (5) Payment of valid pari-mutuel tickets shall be made on the basis of the order of finish as~~  
15 ~~posted on the infield results board and declared "official" by the stewards. A subsequent change~~  
16 ~~in the order of finish or award of purse money that may result from a subsequent ruling by the~~  
17 ~~steward or authority, shall not affect the pari-mutuel payoff.~~

18 ~~—— (6) The association shall be responsible for the correctness of all payoff prices posted as~~  
19 ~~"official" on the infield results board. If an error is made in posting the payoff figures on the public~~  
20 ~~board, and ascertained before any tickets are cashed thereon, the posting error shall be~~  
21 ~~corrected, accompanied by a public address announcement, and only the correct amounts shall~~  
22 ~~be used in the payoff, irrespective of the initial error on the public board.~~

1 ~~—— (7) Prior to posting payoffs, the pari-mutuel manager shall require each of the computer~~  
2 ~~printout sheets or calculating sheets of the race to be proven by the computer or calculator and~~  
3 ~~the winners verified. Such proof shall show the amounts for authority, breakage, and payoffs,~~  
4 ~~which added together shall equal the total pool. All pay slips shall be checked with computer~~  
5 ~~printout sheets or calculating sheets as to winners and prices before being issued to cashiers, and~~  
6 ~~all board prices shall be rechecked with the computer printout sheet or calculator before released~~  
7 ~~to the public.~~

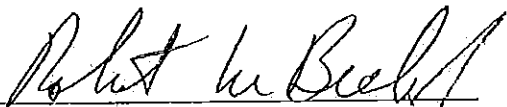
8 ~~—— (8) If the recapitulation of the sales registered by each ticket issuing machine~~  
9 ~~subsequently proves that the actual amount in the pool, or pools, is less than the amount used in~~  
10 ~~calculating the payoff, the deficiency shall be deposited in the pool or pools by the association. If~~  
11 ~~the recapitulation of sales prove that the actual amount in the pool or pools, is greater than the~~  
12 ~~amount used in calculating the payoff due to a mechanical error of the totalizator, the error~~  
13 ~~resulting in underpayment to the public, then the aggregate of the underpayments shall be paid~~  
14 ~~into the corresponding pool of the next race or races, in an amount as may be determined by the~~  
15 ~~state steward and the pari-mutuel manager. If an error should occur in computing the daily~~  
16 ~~double pool, the underpayment shall be added to the daily double pool of the following day.~~  
17 ~~Overpayments and underpayments subsequently discovered upon recapitulation after the close~~  
18 ~~of a meeting may be adjusted, and any underpayment resulting from the final adjustment shall be~~  
19 ~~paid to the Department of Revenue.~~

20 ~~—— Section 12. Betting Interests Involving more than One (1) Horse. If two (2) or more horses~~  
21 ~~entered for the same race are determined by the authority to have common ties through~~  
22 ~~ownership and are joined by the authority as a "mutuel entry," the mutuel entry shall become a~~

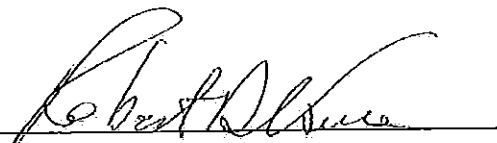
1 ~~single betting interest and a wager on one (1) horse in a mutuel entry shall be a wager on all~~  
2 ~~horses in the same mutuel entry. If the number of horses competing in a race exceeds the~~  
3 ~~numbering capacity of the totalizator, the racing secretary shall assign the highest pari-mutuel~~  
4 ~~numbers to horses so that the highest numbered horse within the numbering capacity of the~~  
5 ~~totalizator, together with horses of higher numbers, shall be grouped in the "mutuel field" as a~~  
6 ~~single betting interest, and a wager on one (1) horse in the mutuel field shall be a wager on all~~  
7 ~~horses in the same mutuel field.~~

8 ~~Section 13. Emergency Situation. If any emergency arises in connection with the operation~~  
9 ~~of the pari-mutuel department not provided for by this administrative regulation, the pari-mutuel~~  
10 ~~manager shall make an immediate decision and shall by the quickest means possible notify the~~  
11 ~~state steward and render a full report to the authority.] (KSRC Ch. 11, 11.01 to.13; 1 Ky.R. 904; eff.~~  
12 ~~5-14-75; Am. 5 Ky.R. 625; eff. 3-7-79; 10 Ky.R. 671; eff. 12-2-83; 14 Ky.R. 620; eff. 11-6-87; 15~~  
13 ~~Ky.R. 2171; 16 Ky.R. 165; eff. 7-14-89; 18 Ky.R. 2003; eff. 3-3-92; 28 Ky.R. 476; 874; eff. 10-12-~~  
14 ~~2001; TAm eff. 8-9-2007.)~~

READ AND APPROVED:

  
Robert M. Beck, Jr., Chairman  
Kentucky Horse Racing Commission

7-19-10  
Date

  
Robert D. Vance, Secretary  
Public Protection Cabinet

July 20, 2010  
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on September 29, 2010 at 10:00 a.m., in the clubhouse of The Red Mile, 1200 Red Mile Rd., Lexington, Kentucky 40504-2652. Individuals interested in being heard at this hearing shall notify the Kentucky Horse Racing Commission in writing by September 22, 2010, five working days prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 30, 2010. Please send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person below.

CONTACT PERSON: Timothy A. West  
Assistant General Counsel  
Kentucky Horse Racing Commission  
4063 Iron Works Parkway, Building B  
Lexington, KY 40511  
Phone: (859) 246-2040  
FAX: (859) 246-2039

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person: Timothy A. West, Assistant General Counsel, Kentucky Horse Racing Commission  
Phone (859) 246-2040

(I) Provide a brief summary of:

(a) What this administrative regulation does: *This regulation establishes the regulatory framework that applies to all pari-mutuel wagering on live and historical horse races in the Commonwealth. It authorizes pari-mutuel wagering on historical horse races and requires the use of seed pools for such wagers. It establishes where, and under what circumstances, pari-mutuel wagering on live and historical horse races may take place. It places requirements on how winning pari-mutuel wagers shall be paid. It requires associations to maintain records regarding all pari-mutuel wagering at their facilities and to make them available to the commission on request. It establishes guidelines for the equipment used by the association to offer pari-mutuel wagering and provides requirements for the sale of pari-mutuel tickets. It establishes minimum wagers and payouts for pari-mutuel wagers on live and historical horse races.*

(b) The necessity of this administrative regulation: *This regulation is necessary for the commission to regulate the integrity of pari-mutuel wagering in the Commonwealth.*

(c) How this administrative regulation conforms to the content of the authorizing statutes: *KRS 230.215(2) grants the commission the authority to regulate conditions under which thoroughbred racing and pari-mutuel wagering thereon shall be conducted in Kentucky. KRS 230.361(1) requires the commission to promulgate administrative regulations governing and regulating mutuel wagering on horse races under the pari-mutuel system of wagering. This regulation establishes the regulatory framework that applies to all pari-mutuel wagering on live and historical horse races in the Commonwealth.*

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: *KRS 230.215(2) grants the commission the authority to regulate conditions under which thoroughbred racing and pari-mutuel wagering thereon shall be*

*conducted in the Commonwealth. This regulation provides the specific rules for pari-mutuel wagering on live and historical horse races in the Commonwealth.*

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: *The existing regulation required updating to address certain innovations in pari-mutuel wagering. This amendment takes those innovations into account and incorporates them into the commission's regulatory framework. The amendment also addresses certain inconsistencies between the pari-mutuel regulations that govern thoroughbred, standardbred, and quarter horse/appaloosa/arabian racing (810 KAR 1:011, 811 KAR 1:125, and 811 KAR 2:060 respectively). To the extent possible, the amendment brings uniformity to the rules governing pari-mutuel wagering for the various breeds.*

(b) The necessity of the amendment to this administrative regulation: *This amendment is necessary to address innovations in the way pari-mutuel wagering is offered and to bring uniformity among pari-mutuel wagering for thoroughbred, standardbred, and quarter horse/appaloosa/arabian racing. The amendment is also necessary to establish guidelines governing pari-mutuel wagering on historical horse races.*

(c) How the amendment conforms to the content of the authorizing statutes: *KRS 230.215(2) grants the commission the authority to regulate conditions under which horse racing and pari-mutuel wagering thereon shall be conducted in the Commonwealth. KRS 230.361(1) requires the commission to promulgate administrative regulations governing and regulating mutuel wagering on horse races under the pari-mutuel system of wagering. This amendment sets forth the requirements that apply to all pari-mutuel wagering on live and historical horse races in the Commonwealth.*

(d) How the amendment will assist in the effective administration of the statutes: *KRS 230.215(2) grants the commission the authority to regulate conditions under which thoroughbred racing and pari-mutuel wagering thereon shall be conducted in the Commonwealth. This amendment provides the specific rules for pari-mutuel wagering on live and historical horse races in the Commonwealth.*

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: *This administrative regulation will affect the eight currently-licensed racing associations in the Commonwealth, any applicant for the final racing association license, the owners and trainers who participate in racing in the Commonwealth, the jockeys who ride in the Commonwealth, the patrons who place pari-mutuel wagers on live and historical horse races in the Commonwealth, and the commission.*

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: *The licensed racing associations will be required to follow the procedure outlined in the regulation to offer any exotic wager that has not been previously approved by the commission. If an association requests and is granted permission by the commission to offer pari-mutuel wagering on historical horse races, then the association will be required to conduct such pari-mutuel wagering in a designated area (as defined in 810 KAR 1:001). The associations that offer pari-mutuel wagering on historical horse races will also be required to enter into an agreement with the Horsemen's Benevolent and Protective Association or the Kentucky Thoroughbred Owners and Breeders Association, Inc. regarding the allocation of the takeout between the association and the horsemen and file a memorandum with the commission outlining the terms of the agreement.*

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): *If an association requests and receives permission to offer pari-mutuel wagering on historical horse races, then the association will incur costs constructing or renovating a designated area (as defined in 810 KAR 1:001) to house the terminals. An association will also incur costs purchasing or leasing commission-approved terminals and hiring additional employees to staff the designated area and maintain the terminals. Any association offering pari-mutuel wagering on historical horse races will also be*



*required to reimburse the commission pursuant to KRS 230.240 to cover the commission's increased regulatory costs relating to compensation of additional personnel and other expenses.*

*The total increase in the commission's regulatory costs will be based upon the number of associations that offer pari-mutuel wagering on historical horse races and the number of terminals at each association. The increased costs will likely include the addition of new employees and equipment.*

*There will be no additional costs to owners, trainers, jockeys, or patrons placing pari-mutuel wagers.*

*(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The associations will be able to offer increased pari-mutuel wagering options to patrons and can expect an increase in on-track attendance and total pari-mutuel handle. The increased revenue can be used to maintain and improve racing association facilities and supplement purses for live races run at each association. The increased purses will help the associations to compete with racing associations in neighboring states that offer expanded gaming options.*

*The owners, trainers, and jockeys will benefit from increased purses, as well as any improvements to an association's facilities.*

*The patrons will benefit from any improvements to an association's facilities as well as from increased pari-mutuel wagering options.*

*(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:*

*(a) Initially: See answer to question 4(b).*

*(b) On a continuing basis: With respect to pari-mutuel wagering on historical horse races, the commission anticipates that the first year such wagering is offered will see the greatest increase in regulatory costs. Thereafter, the commission expects the continuing costs to be mainly for employee compensation and expenses and equipment maintenance. The commission will be reimbursed by the associations for additional employee compensation and other expenses pursuant to KRS 230.240.*

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: *The commission will be reimbursed by the associations for additional employee compensation and other expenses pursuant to KRS 230.240.*

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, If new, or by the change if it is an amendment: *The associations that request and receive permission to offer pari-mutuel wagering on historical horse races will be required to reimburse the commission for the cost of compensation of additional employees and other expenses pursuant to KRS 230.240.*

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: *The associations that request and receive permission to offer pari-mutuel wagering on historical horse races will be required to reimburse the commission for the cost of compensation of additional employees and expenses pursuant to KRS 230.240.*

(9) TIERING: Is tiering applied? (Explain why or why not) *Tiering is not applied. All aspects of this regulation will be applied equally to each association association.*

## FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation No. 810 KAR 1:011

Contact Person: Timothy A. West  
(859) 246-2040

1. Does this administrative regulation relate to any program, service, or requirements of a state or local government (including cities, counties, fire departments, or school districts)?

Yes X No    

If yes, complete questions 2-4.

2. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? *The Kentucky Horse Racing Commission and the Department of Revenue.*

3. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. *KRS 230.215, 230.240, 230.260, 230.280, 230.290, 230.300, 230.310, 230.320, 230.361, 230.370.*

4. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. *The commission anticipates that its regulatory costs will increase based upon the associations offering pari-mutuel wagering on historical horse races. The increased costs will likely include the addition of new employees and equipment. The total increase will be based upon the number of associations that offer pari-mutuel wagering on historical horse races and the number of terminals at each association. The associations that offer pari-mutuel wagering on historical horse races will be required to reimburse the commission the costs associated with compensation of employees and other expenses pursuant to KRS 230.240. The Department of Revenue may have an increase in collection duties, but they are minimal and can be absorbed by the Department.*

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? *The amount of tax revenue generated is dependent upon the number of terminals the associations install and operate. While that number is unknown at this time, it is estimated that annual tax revenue will be somewhat less than \$1,000 per terminal.*

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? *Based upon the experience of Oaklawn Park, the commission anticipates that revenue will more than double from the first to the second year, and more than triple from the second to the third year.*

(c) How much will it cost to administer this program for the first year? *The increased regulatory costs of the commission will be based upon the number of associations that offer pari-mutuel wagering on historical horse races and the number of terminals installed at each association.*

(d) How much will it cost to administer this program for subsequent years? *In subsequent years, the commission anticipates the costs largely to come from employee compensation and expenses and equipment maintenance. The commission will be reimbursed for these costs by the associations.*

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation: